



April 9, 2013

The Honorable Lynn Jenkins
Chair
Income and Tax Distribution Working Group
Committee on Ways and Means
U.S. House of Representatives
1027 Longworth House Office Building
Washington, DC 20515

The Honorable Joseph Crowley
Vice-Chair
Income and Tax Distribution Working Group
Committee on Ways and Means
U.S. House of Representatives
1436 Longworth House Office Building
Washington, DC 20515

The Honorable Diane Black
Chair
Education and Family Benefits Working Group
Committee on Ways and Means
U.S. House of Representatives
1531 Longworth House Office Building
Washington, DC 20515

The Honorable Danny Davis
Vice-Chair
Education and Family Benefits Working Group
Committee on Ways and Means
U.S. House of Representatives
2159 Rayburn House Office Building
Washington, DC 20515

The Honorable Jim Gerlach
Chair
Manufacturing Working Group
Committee on Ways and Means
U.S. House of Representatives
2442 Rayburn House Office Building
Washington, DC 20515

The Honorable Linda Sanchez
Vice-Chair
Manufacturing Working Group
Committee on Ways and Means
U.S. House of Representatives
2423 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Jenkins, Congresswoman Black, Congressman Gerlach, Congressman Crowley, Congressman Davis, and Congresswoman Sanchez,

On behalf of TrueBlue, Inc. ("TrueBlue"), thank you for leadership on the House Ways and Means Committee Working Groups and your work on the important issue of tax reform. As Congress considers tax reform, we urge you to consider important tax policies that support employment. In particular, WOTC is an important tax policy that should be made permanent.

TRUEBLUE

By way of background, TrueBlue is a leading supplier of temporary work. In 2012, TrueBlue connected approximately 350,000 people to work, paying nearly \$800 million in wages and serving nearly 140,000 businesses in the service, retail, wholesale, manufacturing, transportation, and construction industries. TrueBlue also employs 2,900 regular headquarter and branch staff.



the TRUEBLUE companies

TrueBlue provides temporary blue collar and skilled work through five lines of business: Labor Ready; Spartan Staffing; CLP Resources; Plane Techs; and Centerline. The TrueBlue family of companies is committed to providing individuals with opportunities for growth and customers with the help they need to succeed in today's competitive environment.

As a leading supplier of temporary work, TrueBlue provides employment opportunities to and a bridge to permanent jobs for many who otherwise face barriers to entering the workforce. Annually, approximately 40,000 applicants are eligible and approximately 8,000 are ultimately approved for WOTC.

TEMPORARY WORK

Temporary employment plays an essential role in the economy by providing employment flexibility for workers and businesses. Temporary staffing firms employ more than 10 million people each year. These jobs offer millions of people the opportunity to work, particularly as the economy continues its fragile recovery.

Temporary employment is critical to mitigating unemployment, while offering a significant opportunity to find permanent employment through temporary jobs. Temporary employment also provides people with on-the-job training, allowing them to learn new skills and expand their knowledge base, which can later be transferred to other employers and strengthened.

At the same time, temporary employment provides businesses with the opportunity to support or supplement their workforce in various work situations, such as employee absences, skill shortages, seasonal workloads, and special assignments or projects. Moreover, in the current economy, temporary employment is leading the jobs recovery by allowing employers to gauge business and economic conditions before committing to permanent hires.

The people we put to work are employees—even if someone works for us for one day, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy by ensuring that they are eligible to work in the U.S., that all workers' compensation, unemployment, and income taxes are withheld and collected, and that W-2s accurately report income.

WORK OPPORTUNITY TAX CREDIT

WOTC and its predecessors, the Targeted Jobs Tax Credit ("TJTC") and the Welfare to Work ("WTW") Tax Credit, have existed since 1977, except for a brief lapse in the 1990s. Since WOTC was established in 1996, it has been temporarily extended nearly a dozen times. WOTC was most recently extended through 2013 as part of the American Taxpayer Relief Act of 2012 (Pub. L. No. 112-240).

Rationale for Tax Policy

WOTC and its predecessors, TJTC and WTW, were enacted to address the critical issue of persistent unemployment among certain groups who face significant barriers to entering the workforce. The credit is provided to employers to help offset the additional costs associated with employing these worker populations.

WOTC focuses on workers perceived to have relatively low skill levels, making them less attractive to employers. These groups suffer from higher unemployment and lower wages. Examples of WOTC-targeted employee groups include veterans who either are food stamp recipients or are unemployed or are suffering a service-connected disability, former felons, disconnected youth, and members of families receiving benefits under the Temporary Assistance for Needy Families Program (“TANF”).

WOTC is structured as a tax credit for employers who hire individuals from the targeted groups, providing an incentive for the employer. WOTC provides a 40% credit on the first \$6,000 of qualified wages paid to qualifying employees. The longer an employee works, the greater the credit to the employer. For the employer to receive the maximum 40% credit on \$6,000 wage base, the employee must work at least 400 hours. If the employee works between 120 and 399 hours, the employer receives only a partial credit of 25%. No credit is granted for employees who work less than 120 hours.

WOTC effectively lessens the impact of the productivity gap between the target group members and other workers, encouraging employers to take a chance and hire workers they may otherwise not. At the same time, the employee is given an opportunity to work, building skill sets and taking them off public assistance. In this regard, WOTC addresses a compelling need that requires some government intervention and reflects sound tax policy.

Revenue and Efficiency

WOTC works, effectively accomplishing its goal of ending persistent unemployment among our nation’s most vulnerable citizens. Once in the workforce, workers in the target group gain experience and on-the-job training, allowing them to subsequently “climb the ladder” to higher-skilled and higher-paying jobs. Through WOTC, more long-term welfare recipients – the most difficult cases – are being employed in the private sector and 7 out of 10 welfare recipients are using WOTC to find private sector jobs, according to a 2011 study by Peter Cappelli of the Wharton Business School at the University of Pennsylvania.

In 2011 alone, more than 1.1 million workers found jobs through WOTC. Further, this important tax policy enables these workers to move into self-sufficiency as they earn a steady income and become contributing taxpayers. The Cappelli study found that individuals hired under WOTC go on to become productive employees who are no longer dependent on public assistance. In fact, the study noted that for a onetime investment of \$1,500, WOTC saves the federal government an average of \$5,000 for each year the individual remains employed. The Cappelli study also found that WOTC is one of the most successful and cost effective federal employment programs. This finding was echoed in a study by the New York State Department of Labor that found people hired through WOTC stay in the workforce and off of public assistance.

Reason for Temporary Nature and Appropriate Duration

As noted previously, WOTC and its predecessors have existed since 1977, making the provisions part of the fabric of the tax code for over three decades. WOTC was not designed to be a temporary provision, either as a stimulus provision or a provision requiring sunset review. Instead, WOTC was designed to be a permanent policy, though it was enacted as a temporary provision due to budget constraints.

The ongoing extensions of WOTC reflect that the tax policy effectively and efficiently addresses an important policy need. As part of tax reform, Congress should make WOTC permanent.

CONCLUSION

WOTC has proven to be an efficient incentive for businesses to provide jobs for workers who might otherwise fall through the cracks. It is a sound tax policy that addresses a compelling need. WOTC should be made permanent as part of tax reform.

TrueBlue greatly appreciates the opportunity to submit these comments. We are pleased to serve as a resource to the Congress, the Committee, and the Subcommittee on these and related matters. We look forward to our continued work together on these important issues. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Monroe', with a stylized flourish at the end.

Joanna Monroe
Vice President, Deputy General Counsel
and Chief Compliance Officer
TrueBlue, Inc.